

Consolidated Financial Statements of

**SPRINGS OF LIVING WATER
CENTRE INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Springs of Living Water Centre Inc.

Opinion

We have audited the consolidated financial statements of Springs of Living Water Centre Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of operations and net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

May 3, 2024

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

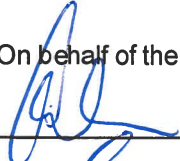
	2023	2022
Assets		
Current assets:		
Cash	\$ 4,530,726	\$ 4,573,541
Short -term investments (note 3)	3,000,000	—
GST and other receivables	192,387	2,024,041
Inventory	69,596	70,559
Prepaid expenses and deposits	114,695	26,560
	7,907,404	6,694,701
Due from related party (note 4)	841,276	969,541
Capital assets (note 5)	20,289,706	20,218,698
	\$ 29,038,386	\$ 27,882,940


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,018,676	\$ 869,461
Current portion of long-term debt (note 7)	—	1,045,833
	1,018,676	1,915,294
Deferred contributions related to capital assets (note 8)	5,183,635	5,299,121
	6,202,311	7,214,415
Net assets	22,836,075	20,668,525
Commitments (note 9)		
	\$ 29,038,386	\$ 27,882,940

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Operations and Net Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
General offerings	\$ 11,271,634	\$ 9,939,985
Building revenue	687,792	690,492
Books, tapes and other revenue	386,457	2,309,931
Amortization of deferred capital contributions (note 8)	319,656	307,849
In-house ministries	208,186	165,923
Interest income	144,382	27,991
Gain on sale of capital assets	649	91,780
	13,018,756	13,533,951
Expenses:		
In-house ministries	5,403,890	5,249,432
Buildings (schedule)	1,921,551	1,813,381
Administration (schedule)	1,629,657	1,607,495
Missions	805,135	1,074,347
Amortization of capital assets	785,081	785,343
Books, tapes and other expenses	305,892	255,865
	10,851,206	10,785,863
Excess of revenue over expenses	2,167,550	2,748,088
Net assets, beginning of year	20,668,525	17,920,437
Net assets, end of year	\$ 22,836,075	\$ 20,668,525

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 2,167,550	\$ 2,748,088
Items not involving cash:		
Amortization of capital assets	785,081	785,343
Amortization of deferred capital contributions	(319,656)	(307,849)
Gain from disposal of capital assets	(649)	(91,780)
Changes in non-cash working capital balances:		
GST and other receivables	1,831,654	(1,990,439)
Inventory	963	(1,317)
Prepaid expenses and deposits	(88,135)	(2,183)
Due from related party	128,266	232,779
Accounts payable and accrued liabilities	149,215	(10,712)
	4,654,289	1,361,930
Investing activities:		
Purchase of short-term investments	(3,000,000)	—
Purchase of capital assets	(856,562)	(163,865)
Proceeds from disposal of capital assets	1,121	103,780
	(3,855,441)	(60,085)
Financing activities:		
Repayment of long-term debt	(1,045,833)	(1,190,235)
Capital contributions	204,170	134,033
	(841,663)	(1,056,202)
Increase/(decrease) in cash	(42,815)	245,643
Cash, beginning of year	4,573,541	4,327,898
Cash, end of year	\$ 4,530,726	\$ 4,573,541

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Purpose of the organization:

Springs of Living Water Centre Inc. (the "Church") is incorporated under *The Corporations Act* of Manitoba as a not-for-profit organization and is a registered charitable organization under the *Income Tax Act*.

The Church's purpose is to carry on the ministry of a Christian church of which some of the activities are conducting services of worship, carrying out cooperative activities with other Christian organizations, ministering to the needs of the poor, the underprivileged and other groups and spreading the Gospel of Jesus Christ both locally and world-wide.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(b) Basis of consolidation:

The consolidated financial statements for the year ended December 31, 2023 include the accounts of the Church and its wholly-owned subsidiary, SC Holdings Ltd.

(c) Revenue recognition:

The Church follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including general offerings, are recognized as revenue when received. Building revenue is recorded as it is earned on a monthly basis.

(d) Inventory:

The inventory is recorded at the lower of cost and net realizable value.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets purchased are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization of capital assets has been provided for using the following rates and methods which will amortize the cost of the assets over their estimated useful lives:

Asset		Term
Buildings	Declining balance	4% per annum
Traffic signals	Declining balance	4% per annum
Parking lots and grounds	Declining balance	8% per annum
Furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	5 years
Vehicles	Declining balance	30% per annum

The cost and related accumulated amortization of furniture and equipment and computer equipment that are fully amortized and are no longer in use are removed from the statement of financial position.

(f) Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent capital fund contributions received by the Church to assist with the development and purchase of Church buildings, furniture and equipment. Amortization of the deferred contributions has been provided for using the following rates and methods which will amortize the credits to income under the estimated useful life of the related capital asset.

Asset		Term
Buildings	Declining balance	4% per annum
Furniture and equipment	Straight-line	5 years

(g) Contributed services:

Volunteers contribute numerous hours per year to assist the Church in carrying out its purpose. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Church has not elected to carry any such financial instruments at fair value. Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

(i) Use of estimates:

The preparation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Church to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include allowance for doubtful accounts and estimated useful life of capital assets. Actual results could differ from the Church's best estimates, as additional information becomes available in the future.

3. Short-term investments:

Short-term investments consist of a guaranteed investment certificate with a rate of 4.7% and a maturity date of March 2024 (2022 - nil).

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Controlled and related organizations:

The Church controls Springs of Living Water Christian Academy Incorporated (the "School"), a private Christian school. The Corporate Board of Directors of the School have been appointed by the Board of Directors of the Church.

The School is incorporated under *The Corporations Act* of Manitoba as a not-for-profit organization and is a registered charitable organization under the *Income Tax Act*. The School has not been consolidated in the Church's financial statements.

The School's condensed audited financial statements for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Total assets	\$ 4,193,023	\$ 2,524,504
Total liabilities	2,282,991	1,951,475
Net surplus	1,910,032	573,029
Total revenues	8,433,711	6,670,418
Total expenses	7,096,708	6,034,631
Cash flows from operating activities	1,067,148	785,589
Cash flows from investing activities	(1,276,826)	(141,387)
Cash flows from financing activities	43,761	(204,894)

The amounts due from the School are non-interest bearing and have no specific terms of repayment:

	2023	2022
Due from related parties	\$ 841,276	\$ 969,541

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,032,557	\$ —	\$ 6,032,557	\$ 6,032,557
Buildings	24,719,222	12,389,431	12,329,791	12,749,676
Traffic signals	154,824	98,811	56,013	58,303
Parking lots and grounds	3,415,134	2,218,474	1,196,660	877,442
Furniture and equipment	1,099,983	705,051	394,932	325,166
Computer equipment	149,690	106,878	42,812	72,048
Vehicles	742,911	505,970	236,941	103,506
	\$ 36,314,321	\$ 16,024,615	\$ 20,289,706	\$ 20,218,698

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2023 are payables in are government remittances payable of \$61,861 (2022 - \$67,676) relating to payroll taxes, health taxes and workers safety insurance.

7. Long-term debt:

The Entity repaid the outstanding loan payable during the current period.

	2023	2022
Commercial loan payable to Assiniboine Credit Union (ACU), secured by first charge debenture on land and building and a variable rate demand promissory note, bearing interest at prime +0.25%, repayable in blended weekly payments of \$23,000, due October 9, 2033	\$ —	\$ 1,045,833
Commercial loan payable to ACU, secured by first charge debenture on land and building, bearing interest at prime plus 0.25%, repayable in blended weekly payments of \$3,815, due July 31, 2027	—	—
	—	1,045,833
Less current portion	—	1,045,833
Balance, end of year	\$ —	\$ —

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Deferred contributions related to capital assets:

	Building	Furniture and Equipment	2023 Total	2022 Total
Balance, beginning of year	\$ 4,881,271	\$ 417,850	\$ 5,299,121	\$ 5,472,937
Add: capital contributions	—	204,170	204,170	134,033
	4,881,271	622,020	5,503,291	5,606,970
Less: amounts amortized to revenue	(195,252)	(124,404)	(319,656)	(307,849)
Balance, end of year	\$ 4,686,019	\$ 497,616	\$ 5,183,635	\$ 5,299,121

9. Commitments:

The Church has annual lease commitments for equipment and vehicles for the next three years as follows:

2024	\$ 34,260
2025	34,260
2026	22,552

10. Operating line of credit:

The Church has a bank line of credit amounting to \$150,000. The line of credit bears interest at prime plus 0.5 percent. At year-end, no amount has been advanced on this line of credit.

11. Related party transactions:

(a) Included in building revenue in the consolidated statement of operations is \$660,000 (2022 - \$660,000) of rental revenue received from the School, a related organization. Missions expense includes a donation of \$360,000 (2022 - \$610,000), which includes \$360,000 rent that the Church donated back to the School. These transactions were in the normal course of business and were reported at the exchange amount.

(b) The Church's association with The Miracle Channel as a related party ceased in November 2022, at which time the organizations no longer shared common controlling management.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Related party transactions (continued):

These transactions were in the normal course of business and are reported at the exchange amount as follows:

	2023	2022
Related party transactions billed to The Miracle Channel for expenses incurred by the Church:		
TV production costs	\$ —	\$ 42,194
Rent	—	35,650
Travel	—	6,028
	\$ —	\$ 83,872
Related party transactions paid to The Miracle Channel and recorded as expenses by the Church:		
Donations to The Miracle Channel	\$ —	\$ 34,030
The Miracle Channel expenses reimbursed by the Church	—	10,559
	\$ —	\$ 44,589

12. Risk management:

The Church, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: liquidity risk, credit risk and interest rate risk. These risks have not changed significantly since the prior year.

Liquidity risk:

Liquidity risk is the risk that the Church will not be able to fulfill its obligations on a timely basis or at a reasonable cost. The Church manages its liquidity risk by monitoring its operating requirements. The Church prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Risk management (continued):

Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of a financial instrument. The Church's financial assets consist primarily of cash, short-term investments and receivables.

The Church's cash and short-term investments are held with large, provincially, and federally regulated financial institutions in Canada and the Church's receivables are actively reviewed and collected, mitigating credit risk.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

SPRINGS OF LIVING WATER CENTRE INC.

Schedule - Building Expense

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Grounds and storage	\$ 183,183	\$ 287,565
Insurance	81,601	74,938
Property taxes	191,086	197,398
Repairs and maintenance	753,365	539,844
Utilities	712,316	713,636
	\$ 1,921,551	\$ 1,813,381

Schedule - Administration Expense

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Adverting and promotion	\$ 10,502	\$ 2,869
Interest and bank charges	60,597	102,283
Interest on long-term debt	6,886	73,288
Office, printing and postage	304,035	269,648
Professional and consultant fees	58,672	57,711
Telecommunications	122,236	102,675
Vehicles and travel	385,639	341,259
Wages and benefits	681,090	657,762
	\$ 1,629,657	\$ 1,607,495